

GENERAL CAPITAL INVESTMENT PROGRAM

OVERVIEW

The six-year Capital Improvement Program (CIP) increased by \$91.1 million or 72.5% from \$125.5 million in 2005-10 to \$216.6 million for 2007-12.

CIP REVENUES

Major revenue increases include:

- Real estate excise tax. This revenue is projected to increase by \$16.2 million or 80% from \$20.1 million in 2005-10 to \$36.3 million in 2007-12. This is due to rising real estate prices, higher transaction volumes and adjustments to more closely reflect actual collections.
- General revenues. The level of general funding is expected to increase by \$19.6 million or 56% from \$34.9 million in 2005-10 to \$54.5 million in 2007-12 primarily due to growth in the 5% General Fund transfer, the reinstatement of the business tax surcharge, and increases in the General Fund contribution for City Hall. Also, included in this category are transfers from the General Fund for sales tax on construction and the pavement management program which are projected to remain flat at \$1.1 million and \$300,000, respectively over the next six years.
- Impact fees. This revenue is estimated to grow by \$15.0 million or 132% due to projected growth in the City and the Council increasing these fees significantly in August 2006 with cost escalators for future years.
- Debt proceeds. The City is expected to issue \$28 million of debt to fund the Bear Creek Parkway extension.
- Developer contributions for specific projects. These resources are projected to rise 471% from \$4.2 million in 2005-10 to \$24 million in 2007-10. This higher revenue is primarily related to contributions from Microsoft for the NE 36th Street overpass.

CIP EXPENDITURES

The following chart provides an overview of how capital dollars are allocated by functional area for 2007-12 vs. 2005-10. The three largest projects included in the CIP are Bear Creek Parkway (\$28 million) and the Northeast 36th Street overpass (\$21 million) in the Transportation functional area and City Hall lease payments (\$24 million) in General Government.

Capital Improvement Program Summary by Functional Area 2005-10 vs. 2007-12				
	2005-2010	2007-2012	Over/ (Under)	% Change
Council	\$4,870,899	\$20,459,679	\$15,588,780	320.0%
Parks	\$19,097,544	\$22,443,859	\$3,346,315	17.5%
Transportation	\$66,317,105	\$132,529,683	\$66,212,578	99.8%
Fire	\$9,087,513	\$9,269,959	\$182,446	2.0%
Police	\$7,049,078	\$5,516,283	(\$1,532,795)	-21.7%
General Government	\$19,089,746	\$26,350,708	\$7,260,962	38.0%
Total	\$125,511,885	\$216,570,171	\$91,058,286	72.5%

As you can see, funding for all of the functional areas is forecasted to rise with the exception of Police. The Police department completed some major capital projects in 2005-06 which reduced its cash balance. In addition, it did not receive its share of the 5% General Fund transfer in 2007-12 as the Council decided to retain this money (\$17.9 million) in its contingency pending a further review of the CIP. This decision affected all of the functional areas. The table below details how the 5% transfer has been historically allocated.

Allocation of 5% General Fund Transfer by Functional Area		
	%	2007-2012
Council	5%	\$893,605
Parks	20%	\$3,574,418
Transportation	45%	\$8,042,441
Fire	15%	\$2,680,814
Police	10%	\$1,787,209
General Government	5%	\$893,605
Total	100%	\$17,872,091

At the end of 2012, the CIP has \$32.4 million of funds unallocated which are not restricted by state law for capital and could be used for general city services.

Note: Subsequent to the adoption of this budget, the Council decided to divert a portion of the 5% General Fund transfer in the amount of \$307,000 per year plus inflation to cover deficiencies in existing parks maintenance. Given this action did not occur until 2007, it has not been included in any of the numbers presented herein.

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2007-2012 CIP BY FUNCTIONAL AREA

Revenue (\$ in millions)

	BFB	2007	2008	2009	2010	2011	2012	Subtotal (No BFB)	2007-12 Total
Council	\$0.6	\$3.2	\$3.2	\$3.2	\$3.3	\$3.4	\$3.5	\$19.8	\$20.5
Parks	4.1	3.4	2.8	2.9	3.0	3.1	3.1	18.3	22.4
Transp.	13.4	32.8	39.0	17.5	9.9	9.9	10.0	119.1	132.5
Fire	2.5	1.8	0.9	1.0	1.0	1.1	1.1	6.8	9.3
Police	1.4	1.0	0.6	0.6	0.6	0.7	0.7	4.1	5.5
Gen Govt.	6.2	3.6	3.4	3.3	3.3	3.3	3.3	20.1	26.4
Total	\$28.3	\$45.8	\$49.8	\$28.5	\$21.1	\$21.4	\$21.6	\$188.3	\$216.6

Expenditures (\$ in millions)

	2007	2008	2009	2010	2011	2012	Subtotal (No EFB)	EFB	2007-12 Total
Council	\$0.4	\$0.4	\$0.4	\$0.4	\$0.3	\$0.3	\$2.0	\$18.5	\$20.5
Parks	4.2	6.1	2.1	2.8	2.8	3.0	21.2	1.3	22.4
Transp.	33.4	39.2	23.2	8.9	8.6	8.4	121.7	10.8	132.5
Fire	1.2	3.7	0.8	1.2	0.7	0.7	8.4	0.9	9.3
Police	1.7	0.4	0.5	0.5	1.6	0.8	5.5	0.0	5.5
Gen Govt.	5.1	4.1	4.1	4.0	4.0	4.1	25.4	0.9	26.4
Total	\$45.9	\$53.9	\$31.1	\$17.9	\$18.0	\$17.3	\$184.2	\$32.4	\$216.6

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MAJOR COUNCIL ACTIONS AND IMPLICATIONS

General Funding Earmarked for CIP

- Total general funding to the CIP over the next 6 years is \$54.5 million. This represents an increase of \$19.6 million from 2005-10 and is due to the business tax surcharge being extended on a permanent basis and higher contributions for City Hall. Note: The lease payments for City Hall are estimated at \$24 million for 2007-12 with \$5.8 million coming from the General fund and the remaining amounts from the Utilities and General Government CIP.

Summary of General Contributions to CIP

Revenue Source	2005-2010 (\$M)	2007-2012 (\$M)
General Fund 5% Transfer	\$15.3	\$17.9
Sales Tax on Construction	6.6	6.6
Pavement Management	1.8	1.8
City Hall Debt Service	1.0	5.8
Business Surcharge	10.2	22.4
Total	\$34.9	\$54.5

- Council reinstated the 5% General Fund transfer to the CIP that was eliminated in the Preliminary Operating Budget but decided not to allocate it to the functional areas pending a further review of the CIP. This action provides \$17.9 million of additional revenue to the CIP in 2007-12 and increases the CIP's unallocated fund balance from \$14.5 million to \$32.4 million by the end of 2012.
- The \$55 business surcharge which was scheduled to sunset at the end of 2006 was made permanent. This is a general revenue which is restricted by policy to the CIP. The surcharge is expected to generate \$22.4 million over the next 6 years. The Transportation CIP will receive \$19 million and Transportation Demand Management is budgeted for the remaining amount consistent with historical allocations.

Debt

- Assumes \$28 million bond for Bear Creek Parkway Extension.

Impact Fee Increases

- Includes additional impact fees of \$12.9 million as a result of rate increases approved in August, 2006.

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HOW REDMOND CIP COMPARES TO OTHER CITIES

Surveyed Cities: Bellevue, Kirkland, Kent, Renton, and Redmond

- Analysis:
 - At a funding level of 13.9%, Redmond has the highest percentage of general revenues dedicated to its CIP among neighboring cities surveyed.
- Findings:
 - Redmond has the second lowest property tax levy.
 - All cities collect real estate excise tax.
 - All cities charge impact fees except Kent.
 - All cities collect motor vehicle fuel taxes.
 - All cities accept grants and developer contributions.
 - All cities transfer at least some general fund money to their CIP.

General Fund Support Earmarked for CIP

Cities	2006 Levy Rate	Level of Dedicated General Fund Support	Dedicated GF Description
Kirkland	1.49	1.6%	Sales tax
Renton	3.12	3.3%	Part of business tax
Bellevue	1.16	5.6%	5.6% of General Fund after adjusting for 50% of sales tax which is returned to the General Fund for maintenance & operations costs (sources: Sales and B&O taxes)
Kent	2.80	10.5%	Sales tax and utility tax
Redmond	1.23	13.9%	Sales tax on construction, business tax, pavement mgmt., City Hall contribution, 5% GF transfer

- Debt
 - All cities use debt to finance some of their general capital projects.

Cities	General Obligation Outstanding Debt (Non-Utility) as % of Assessed Valuation
Renton	0.86%
Kent	0.70%
Bellevue	0.59%
Redmond	0.41%
Kirkland	0.30%

- Redmond has the second lowest amount of general obligation debt as a percent of assessed value.
- Kent uses local improvement districts more extensively and currently has \$20.2 million outstanding.

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UNFUNDED MAINTENANCE & OPERATIONS ASSOCIATED WITH CIP

Project	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	Total
Parks							
Trail Development Fund	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$18,000
NW Neighbhd Park Acquisition					\$5,000	\$5,000	\$10,000
E. Redmond Corridor Dev. Ph. I			\$40,000	\$40,000	\$80,000	\$80,000	\$240,000
NE Neighbhd Park Devpmt				\$40,000	\$40,000	\$40,000	\$120,000
Splash Parks			\$25,000	\$25,000	\$50,000	\$50,000	\$150,000
Senior Ctr Improvements			\$15,000	\$15,000	\$15,000	\$15,000	\$60,000
Perrigo Park Dev. Phase II			\$10,000	\$10,000	\$10,000	\$10,000	\$40,000
Teen Ctr Prkg/Covered Area				\$5,000	\$5,000	\$5,000	\$15,000
Bear Evans Crk Trl & Grnwy			\$10,000	\$10,000	\$22,000	\$22,000	\$64,000
Subtotal	\$3,000	\$3,000	\$103,000	\$148,000	\$230,000	\$230,000	\$717,000
Transportation							
Sidewalk Imprvmnt Program	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$60,000
Street Lighting Program					\$8,600	\$17,200	\$25,800
185th Avenue NE Extension			\$21,000	\$21,000	\$24,000	\$24,000	\$90,000
Bear Creek Prkwy Extension				\$62,000	\$62,000	\$65,000	\$189,000
NE 31st to 36th/SR520 Bridge				\$27,000	\$27,000	\$30,000	\$84,000
Old Redmond Road Widening		\$13,200	\$13,200	\$13,200	\$13,200	\$13,200	\$66,000
NE 116th & 172nd Traffic			\$4,000	\$4,000	\$4,000	\$4,000	\$16,000
Old Redmnd Rd/WLSP Signal			\$4,000	\$4,000	\$4,000	\$4,000	\$16,000
Subtotal	\$10,000	\$23,200	\$52,200	\$141,200	\$152,800	\$167,400	\$546,800
Fire							
Fire Apparatus-F.S. #17		\$4,000	\$4,140	\$4,285	\$4,435	\$4,590	\$21,450
Fire Station #17 Staffing		\$1,088,586	\$1,218,899	\$1,834,014	\$1,942,383	\$2,057,180	\$8,141,062
Emerg Dispatch Paging	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$72,000
Marine Rescue & Fire Boat		\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$20,000
Local Redundancy				\$20,000	\$20,000	\$20,000	\$60,000
Subtotal	\$12,000	\$1,108,586	\$1,239,039	\$1,874,299	\$1,982,818	\$2,097,770	\$8,314,512
Police							
Marine Patrol	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$60,000
Subtotal	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$60,000
Total	\$35,000	\$1,144,786	\$1,404,239	\$2,173,499	\$2,375,618	\$2,505,170	\$9,638,312